

VILLAGE OF MCNARY

**FINANCIAL REPORT
JUNE 30, 2012**

**SHANNA JONES, CPA
WINNFIELD, LOUISIANA**

VILLAGE OF MCNARY
FINANCIAL REPORT
JUNE 30, 2012

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Village of McNary

MANAGEMENT'S DISCUSSION & ANALYSIS

June 30, 2012

The management of the Village of McNary, Louisiana offers readers of the Village of McNary, Louisiana's (Village) financial statements this narrative overview and analysis of the financial activities of the Village for the fiscal year ended June 30, 2012. Management discussion and analysis is designed to provide an objective analysis of the Village's financial activities based on currently known facts, decisions, or conditions.

Overview of the Financial Statements

The Village's basic financial statements consist of the government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains other supplementary information, which is in addition to the basic financial statements.

Government-Wide Financial Statements

The statement of net assets presents information on all of the Village's assets and liabilities, with the difference between the two reported as net assets. The statement of activities shows how the government's net assets changed during this fiscal year. All changes in net assets are reported as soon as the underlying event occurs regardless of the timing of the related cash flows.

Each of these reports is broken down between governmental activities and business-type activities. Governmental activities normally are those activities that are supported by taxes, licenses, permits, fines and intergovernmental revenues for example, the police and fire departments. Business-type activities are functions that are intended to support their costs through charges for services or fees such as the water and sewer departments.

Fund Financial Statements

The Village of McNary, Louisiana maintained one governmental fund, the General Fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for which is considered to be a major fund.

The Village adopts an annual budget for its general fund. A statement of revenues, expenditures and changes in fund balance is also presented which compares actual revenues and expenditures to the original budget and amended budget figures. The original budget was adopted on June 6, 2011. There is one amendment.

The Village operates one proprietary fund. The Village uses an enterprise fund to account for its water operations. This enterprise fund reports the same functions presented as business-type activities in the government-wide financial statements.

The notes to the financial statements have additional information presented that is essential to a full understanding of the data provided in the government-wide financial statements. The notes are found on pages 17 - 27.

Government-wide Financial Analysis

Overall, the Village's financial position and results of its operation did improve in fiscal 2012. The largest percentage of the total assets (82%) is the Village's investment in net capital assets. The Village has outstanding debt of \$184,395 which was used to finance some of the \$1,004,235 capital assets. (For more detailed information on the Village's debt and capital assets, see pages 24 – 26. The Village will pay \$12,126 in bond payments in fiscal 2013. The Village received a \$19,858 grant from the LGAP for fire protection improvements to the water system. This project is unfinished at year end. The total liabilities of \$212,108 are 18% of the total assets.

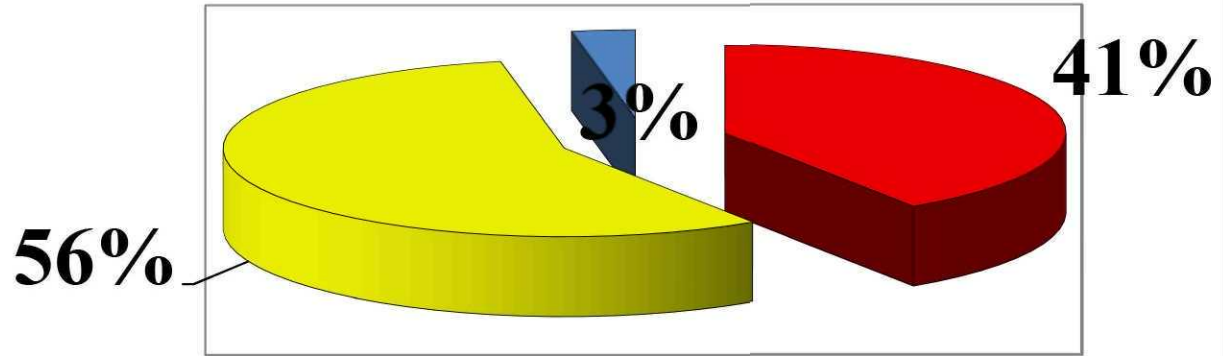
The following table reflects the condensed statement of net assets at June 30, 2012.

	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets	\$ 127,003	\$ 95,985	\$ 222,988
Non-current Assets	422,717	581,518	1,044,235
Total Assets	\$ 549,720	\$ 677,503	\$ 1,227,223
Liabilities			
Current Liabilities	\$ 14,694	\$ 16,461	\$ 31,155
Non-current Liabilities	0	180,953	180,953
Total Liabilities	\$ 14,694	\$ 197,414	\$ 212,108
Net Assets			
Invested in Capital Assets, Net of Related Debt	422,717	397,124	819,841
Restricted	0	26,951	26,951
Unrestricted	112,309	56,014	168,323
Total Net Assets	\$ 535,026	\$ 480,089	\$ 1,015,115

The Village's governmental activities increased the net assets by \$ 35,089, while business-type activities increased net assets by \$ 4,008. Part of the government fund increase is due to increased police fines. Below is a summary of the statement of activities:

	Governmental Activities	Business-Type Activities	Total
Revenues			
Program Revenues	\$ 118,945	\$ 81,653	\$ 200,598
General Revenues	55,263	264	55,527
Total Revenues	\$ 174,208	\$ 81,917	\$ 256,125
Expenses			
General and Administrative	\$ 62,676	\$ 0	\$ 62,676
Public Safety	63,953	0	63,953
Public Services	7,799	0	7,799
Culture and Recreation	4,691	0	4,691
Water	0	77,909	77,909
Total Expenses	\$ 139,119	\$ 77,909	\$ 217,028
Increases(Decreases) in Net Assets	\$ 35,089	\$ 4,008	\$ 39,097
Net Assets - July 1, 2011	499,937	476,081	976,018
Net Assets - June 30, 2012	\$ 535,026	\$ 480,089	\$ 1,015,115

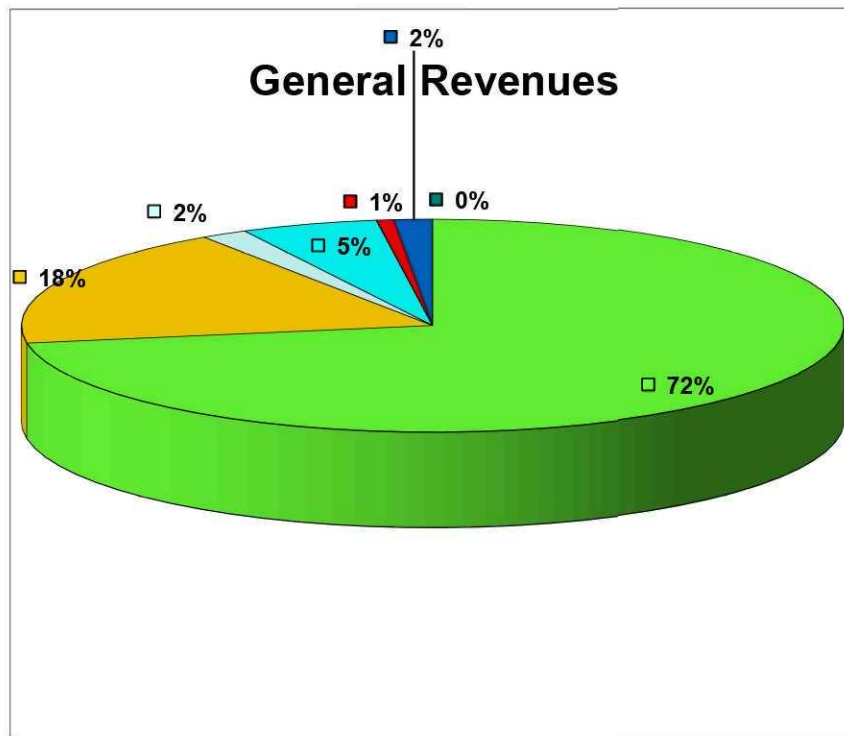
Program Revenues



■ **Water**
■ **Pub. Safety**
■ **Pub. Services**

Program Revenues Are Broken Down By:

General Government	\$ 0
Public Safety	112,927
Public Services	6,018
Culture and Recreation	0
Water	81,653
Total Program Revenues	<u>\$ 200,598</u>



■ Sales Taxes

■ Franchise Taxes

■ Alcoholic Beverage Tax

■ Licenses

■ Interest Earnings

■ Miscellaneous

General Revenues Consist of the Following:

Sales Taxes	\$	40,174
Franchise Taxes		10,139
Alcoholic Beverage Tax		1,102
Licenses & Permits		2,988
Interest Earnings		377
Miscellaneous		837
Total General Revenues	\$	<u>55,527</u>

Financial Analysis of the Government's Funds

The Village of McNary's governmental funds reported an ending fund balance of \$112,309, which is an increase of \$50,883.

The Village's proprietary fund shows ending net assets of \$480,089 which is an increase of \$4,008.

General Fund Budgetary Highlights

The Village budget was approved on June 6, 2011 board meeting. The general fund budget was amended as follows:

Revenues	\$173,800
Expenditures	117,200
<u>Other financing Sources (Uses)</u>	<u>(8,000)</u>
Net	<u>\$ 48,600</u>

The general fund actual revenue and expenditures are within 5% of the budgeted amounts.

Capital Asset and Debt Administration

The total investment in net capital assets as of June 30, 2012 is \$1,004,235.

New major capital assets purchased in fiscal 2012 are:

1. The general fund purchased a digital camera for the police department's Tahoe at a cost of \$5,450.
2. The Village received financing from the LGAP for extensions to their water system for a fire protection program at a cost of \$16,118 in 2012. LGAP paid \$12,525 of this cost. This project is unfinished at year end. The total funding agreed to by LGAP is \$19,858; however, management determined not to accrue remaining amount due to nature of LGAP grants.
3. The Village finished the installation of the Merry Go Round for the park at a cost of \$2,262. The equipment was donated by the Billings family in the prior year.

The Village donated their old police car to the neighboring Town of Glenmora for use in the fire department.

The Village has 1 bond issued that financed water improvements in 1999. The total outstanding liability is \$184,394. The total liability due in fiscal 2013 is \$12,126. This debt is payable each month with a payment of \$1,010.50 each. The Village's bond issue from 1972 was paid in full in this fiscal year.

Current Financial Factors

The Village's water collections decreased during the first five months of this year by \$2,600 over this same period from last year while the traffic fine collections increased by \$24,000 over the same time frame.

The Village continued the fire protection project into fiscal 2013 and received the balance due from LGAP of \$7,333 for work performed in July and August of 2012. The police department built a shed to house the police car at a cost of \$3,279. The Village also installed an electronic gate to the town hall yard.

The Village applied and received a grant from the state of Louisiana to purchase equipment. .

The Village entered into a joint endeavor agreement with the Town of Glenmora allowing Glenmora to service citizens in the Village with sewer services.

CONTACTING THE VILLAGE'S OFFICE

This financial report is designed to provide a general overview of the Village's finances, compliance with governmental financial reporting laws and regulations and demonstrate the Village's commitment to public accountability. If you have additional questions about this report or would like to request additional information, contact Donald Parker, II, Mayor, Village of McNary, 53 W Cady Ave, Glenmora, LA 71433.

Shanna Jones, CPA

*157 Larry Bruce Rd
Winnfield, LA 71483
792-8544*

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Honorable Donald Parker II, Mayor
and Members of the Board of Aldermen
Village of McNary
Glenmora, Louisiana

I have reviewed the accompanying financial statements of the governmental activities, the business-type activities, and each major fund, and the aggregate remaining fund information of Village of McNary as of and for the year ended June 30, 2012, which collectively comprise the Village's basic financial statements as listed in the Table of Contents. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the management of the Village of McNary, Glenmora, Louisiana. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, I do not express such an opinion.

Management of the Village is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

My responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require me to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. I believe that the results of my procedures provide a reasonable basis for my report.

Based on my review, I am not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

My review was made primarily for the purpose of expressing a conclusion that there are no material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America. The Management's Discussion and Analysis and the Budgetary Comparison Schedules on pages M-1 through M-5 and pages 29 and 30, are presented for purposes of additional analysis. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting and for placing the basic financial statements in an appropriate operational, economic, or historical context. The supplementary information has been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, and I am not aware of any material modifications that should be made thereto.

In accordance with the Louisiana Governmental Audit Guide and the provisions of state law, I have issued a report dated December 18, 2012, on the results of our agreed-upon procedures on pages 32 through 33. Pages 35 through 36 present the Louisiana Attestation Questionnaire.

A handwritten signature in black ink that reads "Shanna Jones". The script is cursive and fluid, with the first letters of each name being capitalized and prominent.

Shanna Jones, CPA
Winnfield, Louisiana
December 18, 2012

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE
FINANCIAL STATEMENTS

VILLAGE OF MCNARY
STATEMENT OF NET ASSETS
JUNE 30, 2012

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets:			
Current Assets:			
Cash & Cash Equivalents	\$ 87,762	\$ 10,987	\$ 98,749
Investments	27,947	24,353	52,300
Receivables, Net	5,268	5,288	10,556
Due from Other Funds	3,819	(3,819)	0
Intergovernmental	284	0	284
Prepaid Expenses	1,923	607	2,530
Restricted:			
Cash & Cash Equivalents	0	24,903	24,903
Investments	0	33,666	33,666
Total Current Assets	<u>127,003</u>	<u>95,985</u>	<u>222,988</u>
Non-Current Assets:			
Capital Assets			
Depreciable (Net of Depreciation)	384,708	581,518	966,226
Non-Depreciable	38,009	0	38,009
Total Non-Current Assets	<u>422,717</u>	<u>581,518</u>	<u>1,004,235</u>
Total Assets	<u>549,720</u>	<u>677,503</u>	<u>1,227,223</u>
Liabilities:			
Current Liabilities:			
Accounts Payable	8,419	1,855	10,274
Accrued Liabilities	5,025	1,289	6,314
Customer Deposits	0	9,875	9,875
Deferred Revenue	1,250	0	1,250
Notes Payable-Current Portion	0	3,442	3,442
Total Current Liabilities	<u>14,694</u>	<u>16,461</u>	<u>31,155</u>
Long-Term Liabilities:			
Notes Payable-Net of Current	0	180,953	180,953
Total Liabilities	<u>14,694</u>	<u>197,414</u>	<u>212,108</u>
Net Assets:			
Invested in Capital Assets, Net of Related Debt	422,717	397,124	819,841
Restricted	0	26,951	26,951
Unrestricted	<u>112,309</u>	<u>56,014</u>	<u>168,323</u>
Total Net Assets	<u>\$ 535,026</u>	<u>\$ 480,089</u>	<u>\$ 1,015,115</u>

See accompanying notes and independent accountant's review report.

VILLAGE OF McNARY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

Program Activities	Expenses	Program Revenue		Net (Expense) Revenue & Changes in Net Assets		
		Fines, Fees, Commissions & Charges for Services	Capital Grants & Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:						
General & Admin	\$ 62,676			\$ (62,676)		\$ (62,676)
Public Safety:						
Police	59,753	\$ 112,927		53,174		53,174
Fire	4,200			(4,200)		(4,200)
Public Works:						
Sanitation	7,799	6,018		(1,781)		(1,781)
Culture & Rec	4,691		0	(4,691)		(4,691)
Total Governmental	<u>139,119</u>	<u>118,945</u>	<u>0</u>	<u>(20,174)</u>		<u>(20,174)</u>
Business-type Activities:						
Water	77,909	69,128	12,525		\$ 3,744	3,744
Total Business-type	<u>\$ 77,909</u>	<u>\$ 69,128</u>	<u>\$ 12,525</u>		<u>3,744</u>	<u>3,744</u>
General Revenues:						
Taxes:						
Franchise				10,139		10,139
Sales				40,174		40,174
Alcohol				1,012		1,012
Licenses & Permits				2,988		2,988
Interest Earnings				113	264	377
Miscellaneous				837	0	837
Total General Revenues				<u>55,263</u>	<u>264</u>	<u>55,527</u>
Change in Net Assets				35,089	4,008	39,097
Net Assets July 1, 2011				<u>499,937</u>	<u>476,081</u>	<u>976,018</u>
Net Assets June 30, 2012				<u>\$ 535,026</u>	<u>\$ 480,089</u>	<u>\$ 1,015,115</u>

See accompanying notes and independent accountant's review report.

FUND FINANCIAL STATEMENTS

VILLAGE OF MCNARY
BALANCE SHEET—GOVERNMENTAL FUND
JUNE 30, 2012

Assets:

Current Assets:

Cash & Cash Equivalents	\$ 87,762
Investments	27,947
Receivables, Net:	
Oil & Gas	67
Occupational/Franchise	1,674
Garbage	390
Sales & Use Taxes	3,137
Due from Other Funds	3,819
Intergovernmental	284
Prepaid Expenses	<u>1,923</u>
 Total Assets	 <u><u>127,003</u></u>

Liabilities:

Current Liabilities:

Accounts Payable	8,419
Accrued Liabilities	5,025
Deferred Revenue	<u>1,250</u>
 Total Liabilities	 <u>14,694</u>

Fund Balance:

Nonspendable	1,923
Unassigned	<u>110,386</u>
 Total Fund Balance	 <u>112,309</u>

Total Liabilities & Fund Balance	<u><u>\$ 127,003</u></u>
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See accompanying notes and independent accountant's review report.

VILLAGE OF MCNARY
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2012

Total Fund Balance for the Governmental Fund at June 30, 2012	\$ 112,309
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Total Net Assets reported for Governmental Activities
in the Statement of Net Assets is different because:

Capital Assets used in Governmental Activities are not
financial resources and, therefore, are not reported
in the fund. Those assets consist of:

Non-Depreciable	38,009	
Depreciable	504,405	
Less: Accumulated Depreciation	<u>(119,697)</u>	<u>422,717</u>

Total Net Assets of Governmental Activities at June 30, 2012	<u>\$ 535,026</u>
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See accompanying notes and independent accountant's review report.

VILLAGE OF MCNARY
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE—GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2012

Revenues:		
Taxes:		
Franchise	\$	10,139
Sales		40,174
Alcohol		1,012
Licenses & Permits		2,988
Fines, Fees, Commissions &		
Charges for Services:		
Fines		112,927
Sanitation Fees		6,018
Miscellaneous:		
Interest Earned		113
Other		<u>837</u>
Total Revenues		<u>174,208</u>
Expenditures:		
Current:		
General & Administrative		51,407
Public Safety:		
Police		52,020
Fire Protection		4,200
Public Works:		
Sanitation		7,799
Culture & Recreation		187
Capital Outlay		<u>7,712</u>
Total Expenditures		<u>123,325</u>
Excess of Revenues over Expenditures		<u>50,883</u>
Fund Balance—Beginning of Year		<u>61,426</u>
Fund Balance—End of Year	\$	<u><u>112,309</u></u>

See accompanying notes and independent accountant's review report.

VILLAGE OF MCNARY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

Net Change in Fund Balance—Governmental Fund	\$	50,883
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Amounts reported for Governmental Activities
in the Statement of Activities are different because:

Governmental Funds report Capital Outlays as expenditures. However, in the Statement of Activities the cost of these assets is allocated over their estimated useful lives as depreciation expense. The cost of Capital Assets recorded in the current period is		7,712
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Depreciation expense on Capital Assets is reported in the Government-wide Financial Statements, but does not require the use of current financial resources and is not reported in the Fund Financial Statements. Current year depreciation expense is	(<u>23,506)</u>
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Net Change in Net Assets per Statement of Activities	\$	<u><u>35,089</u></u>
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See accompanying notes and independent accountant's review report.

VILLAGE OF MCNARY
STATEMENT OF NET ASSETS—PROPRIETARY FUND
JUNE 30, 2012

Assets:

Current Assets:

Cash & Cash Equivalents	\$ 10,987
Investments	24,353
Receivables, Net	5,288
Prepaid Expenses	607
Restricted:	
Cash & Cash Equivalents	24,903
Investments	33,666
Total Current Assets	<u>99,804</u>

Non-Current Assets:

Capital Assets	
Depreciable (Net of Depreciation)	581,518
Non-Depreciable	<u>0</u>
Total Non-Current Assets	<u>581,518</u>

Total Assets	<u>681,322</u>
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Liabilities:

Current Liabilities:

Accounts Payable	1,855
Accrued Liabilities	1,289
Due to Other Funds	3,819
Customer Deposits	9,875
Notes Payable-Current Portion	<u>3,442</u>
Total Current Liabilities	<u>20,280</u>

Long-Term Liabilities:

Notes Payable-Net of Current	<u>180,953</u>
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Total Liabilities	<u>201,233</u>
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Net Assets:

Invested in Capital Assets, Net of Related Debt	397,124
Restricted	26,951
Unrestricted	<u>56,014</u>

Total Net Assets	<u>\$ 480,089</u>
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See accompanying notes and independent accountant's review report.

VILLAGE OF MCNARY
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS—PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2012

Operating Revenues:

Charges for Services	\$ <u>69,128</u>
Total Operating Revenues	<u>69,128</u>

Operating Expenses:

Salaries & Related Expenses	19,900
Office Supplies	2,541
Professional Fees	1,853
Repairs & Maintenance	13,611
Utilities	5,780
Depreciation	21,050
Water Chlorination	1,132
Insurance	<u>2,998</u>
Total Operating Expenses	<u>68,865</u>

Net Operating Income	<u>263</u>
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Non-Operating Revenues (Expenses):

Investment Interest	264
Investment Expenses	(9,044)
Grant Income	<u>12,525</u>
Total Non-Operating Revenues (Expenses)	<u>3,745</u>

Change in Fund Net Assets	<u>4,008</u>
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Fund Net Assets—Beginning of Year	<u>476,081</u>
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Fund Net Assets—End of Year	<u><u>\$ 480,089</u></u>
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See accompanying notes and independent accountant's review report.

VILLAGE OF MCNARY
STATEMENT OF CASH FLOWS—PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2012

Cash Flows from Operating Activities:

Receipts from Customers	\$ 69,365
Payments to Suppliers	(28,467)
Payments to Employees	(19,884)
Other Receipts (Payments)	<u>(1,850)</u>
Net Cash Provided by Operating Activities	<u>19,164</u>

Cash Flows from NonCapital Financing Activities:

Transfers from General Fund	<u>294</u>
Net Cash Provided by NonCapital Financing Activities	<u>294</u>

Cash Flows from Capital & Related Financing Activities:

Principal Paid on Bonds	(11,282)
Interest Paid on Bonds	(9,244)
Intergovernmental-Grant	12,525
Payments on Construction in Progress	<u>(16,118)</u>
Net Cash (Used) by Capital & Related Financing Activities	<u>(24,119)</u>

Cash Flows from Investing Activities:

Interest Earned on Operating Accounts	<u>93</u>
Net Cash Provided by Investing Activities	<u>93</u>

Net Increase (Decrease) in Cash & Cash Equivalents	(4,568)
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Cash & Cash Equivalents—Beginning of Year	<u>40,458</u>
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Cash & Cash Equivalents—End of Year	<u><u>\$ 35,890</u></u>
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Reconciliation of Cash & Cash Equivalents:

Per the Statement of Net Assets:	
Unrestricted—Cash & Cash Equivalents	\$ 10,987
Restricted—Cash & Cash Equivalents	<u>24,903</u>
Total Cash & Cash Equivalents—End of Year	<u><u>\$ 35,890</u></u>

(Continued)

VILLAGE OF MCNARY
STATEMENT OF CASH FLOWS—PROPRIETARY FUND (continued)
FOR THE YEAR ENDED JUNE 30, 2012

Reconciliation of Operating Income to Net Cash Provided by Operating Activities:

Operating Activities:	
Operating Income	\$ 263
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	21,050
Changes in Assets & Liabilities:	
(Increase)/Decrease in Accounts Receivable, Net	237
(Increase)/Decrease in Prepaid Expenses	(339)
Increase/(Decrease) in Accounts Payable	(214)
Increase/(Decrease) in Accrued Liabilities	16
Increase/(Decrease) in Customer Deposits	<u>(1,850)</u>
Net Cash Provided by Operating Activities	<u>\$ 19,164</u>

See accompanying notes and independent accountant's review report.

Concluded

NOTES TO FINANCIAL STATEMENTS

VILLAGE OF McNARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1—INTRODUCTION

The Village of McNary in Glenmora, Louisiana (hereafter referred to as the Village) was incorporated August 6, 1913, under the provisions of the Lawrason Act, Louisiana Revised Statute 33:321. The Village operates under a Mayor-Board of Aldermen form of government.

The Mayor is elected for a four year term. The three Aldermen are elected every four years from the Village at large. They are compensated for their services.

The Village provides the following services: public safety, streets, drainage, utilities (water only), public improvements, planning and zoning and general and administrative services.

The Village is located in the south part of Rapides Parish. It has a population of approximately 200 people. It is currently servicing the Village water and garbage customers. The Village employs approximately 14 part time people.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the Village of McNary, Glenmora, Louisiana conform to generally accepted accounting principles as applicable to governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to guides set forth in the *Louisiana Governmental Audit Guide*.

Reporting Entity

Governmental Accounting Standard Board (GASB) Statement No. 14 establishes the criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under these provisions, the Village of McNary is considered a primary government, since the Village is an independently elected parish official and is not fiscally dependent on any other governmental entity. The primary government is required to consider all entities for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The accompanying financial statements present information only on the funds that comprise the Village of McNary, the primary government.

Basis of Presentation

Government-Wide Financial Statements (GWFS):

The Statement of Net Assets and Statement of Activities report information about the reporting government as a whole. They include all funds of the reporting entity. Government-Wide statements distinguish between governmental-type and business-type activities. Governmental

VILLAGE OF MCNARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues and are usually reported in governmental and internal service funds. Business activities are financed in whole or in part through fees charged for goods or services to the general public and are usually reported in proprietary funds.

Policies specific to the government-wide statements are as follows:

Eliminating Internal Activity—Interfund receivables and payables are eliminated in the Statement of Net Assets except for the net residual amounts due between governmental and business-type activities. These are presented as internal balances. The allocation of overhead expenses from one function to another or within the same function is eliminated in the Statement of Activities. Allocated expenses are reported by the function to which they are allocated.

Application of FASB Statements and Interpretations—Reporting on governmental-type and business-type activities are based on FASB Statements and the Interpretations issued after November 30, 1989, except where they conflict or contradict GASB pronouncements.

Capitalized Assets—Tangible and/or intangible assets used in operations with an initial useful life that extends beyond one year are capitalized. Infrastructure assets such as roads and bridges are also capitalized. Capital assets are recorded at their historical cost and are depreciated using the straight-line method of depreciation over their estimated useful lives. They are reported net of accumulated depreciation on the Statement of Net Assets. Depreciation of contributed assets of the proprietary fund is charged against contributed capital as opposed to unrestricted net assets.

Under the requirements of GASB Statement No. 34, the Village is considered a Phase 3 government as its total annual revenues is less than \$10 million. Such governments are not required to report major general infrastructure assets retroactively. The Village has opted not to retroactively report these types of capital assets.

Program Revenues—The Statement of Activities presents three categories of program revenues - (1) charges for services; (2) operating grants and contributions; and (3) capital grants and contributions. Charges for services are those revenues arising from charges to customers who purchase, use or directly benefit from goods and services provided by the Village. Grants and contributions, whether operating or capital in nature, are revenues arising from receipts that are restricted for specific use.

Indirect Expenses—Expenses are reported according to function except for those that meet the definition of special or extraordinary items. Direct expenses are specifically associated with a service or program. Indirect expenses include general government or administration that cannot be specifically traced to a service or program. Governments are not required to allocate indirect expenses to other functions, and the Village has chosen not to do so.

VILLAGE OF MCNARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Operating Revenues—Proprietary funds separately report operating and non-operating revenues. Revenues from transactions of the Village’s operation of providing water services are considered operating revenues. All other revenues, which are reported as cash flows from capital or non-capital financing and investing, are reported as non-operating revenues.

Restricted Net Assets—Restricted net assets are those for which a constraint has been imposed either externally or by law. The Village recognizes the use of restricted resources for expenditures that comply with the specific restrictions. Restricted resources are exhausted before unrestricted net assets are used.

Fund Financial Statements (FFS):

The accounts of the Village are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a separate set of self-balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The various funds of the Village are classified into two categories: governmental and proprietary. The emphasis on fund financial statements is on major funds, each displayed in a separate column. A fund is considered major if it is the primary operating fund of the Village. The funds of the Village are described as follows:

Governmental Funds:

General Fund—The General Fund accounts for the Village’s general activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of general fixed assets, and the servicing of general long-term obligations. It is the general operating fund of the Village and accounts for all financial resources, except those required to be accounted for in other funds.

Proprietary Funds:

The Proprietary Fund accounts for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. The Proprietary fund differs from the governmental fund in that its focus is on income measurement, which, together with the maintenance of equity, is an important financial indicator. Proprietary fund accounts for operations (a) where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Measurement Focus and Basis of Accounting

Basis of accounting refers to when revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made.

VILLAGE OF MCNARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Accrual Basis—Government-Wide Financial Statements (GWFS)

The Statement of Net Assets and the Statement of Activities display information about the Village as a whole. Both of these statements in the GWFS along with Proprietary Funds found in the FFS are prepared using the economic measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the exchange.

Modified Accrual Basis—Fund Financial Statements (FFS)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Village considers all revenues available if they are collected 60 days after year end. Expenditures generally are recorded when a liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Assets Liabilities and Equity

Cash and Cash Equivalents—The Village's cash is considered to be cash in demand deposits and interest bearing deposits. Cash equivalents include all short term, highly liquid investments that are readily convertible to known amounts of cash and are so near their maturity that they present insignificant risk of changes in value because of interest rates.

Investments—Investments are limited by Louisiana Revised Statute 33:2955. If the original maturities of investments exceed 90 days, they are classified as investments. Otherwise, the investments are classified as cash and cash equivalents. In accordance with GASB Statement No. 31, investments are recorded at fair value with the corresponding increase or decrease reported in investment earnings. All investments of the Village are certificates of deposits held at a bank in Glenmora, Louisiana and the fair value is determined by the face value of the certificate.

Bad Debts/Allowance for Doubtful Accounts for the Proprietary Fund - Water Receivable accounts are based on the collectability of outstanding receivables. Uncollected amounts due for customers' utility receivables are recognized as bad debts at the time information becomes available which would indicate the collectability of the particular receivable. All accounts were considered collectible at June 30, 2012, and therefore no provision for uncollectible accounts was made at this time.

Restricted Assets—Certain proceeds of proprietary fund are classified as restricted assets on the balance sheet because their use is limited. The Village collects deposits from their water customers. These collections are not kept in a separate account. All transactions are collect-

VILLAGE OF MCNARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

ed and paid out of the regular checking account for the convenience of the Village employees. Over the years the Restricted Bond Funds have been over restricted. Since the Village does not maintain a separate account for utility deposits, the over restriction of the bond funds are applied to the amount that should be restricted for utility deposits.

Inventories—The Village does not maintain inventories. Supplies are purchased on an as needed basis and are used normally within the year purchased.

Capital Assets—The Village's assets are recorded at historical cost. Depreciation is recorded using the straight-line method over the useful lives of the assets as follows:

Equipment and Furniture	3 - 10 Years	Buildings	39 - 40 Years
Utility Plant/Water system	5 - 50 Years	Infrastructure	40 - 60 Years
Vehicles	5 - 10 Years		

In June 1999, the Governmental Accounting Standards Board issued Statement No. 34 which requires the inclusion of infrastructure assets used in governmental activities in the general purpose financial statements retroactively reported back to 1982. An exception exists for local governments with annual revenues of less than \$10 million. As a result of this exception, the Village has elected to not report its governmental infrastructure retroactively. The infrastructure currently being depreciated over a period of 50 years is the water system that is reported in the business-type activities of the Village. From this point forward, the Village will use the basic approach to infrastructure reporting for its governmental activities.

The costs of normal maintenance and repairs that do not add to the value of that asset or materially extend the life of that asset are not capitalized. Also the Village's FFS expense assets as capital outlays in the year occurring.

Compensated Absences—Employees are not allowed to carry leave forward from year to year, therefore, there is no entry made for compensated absences.

Long-Term Obligations—In the government-wide financial statements, debt principal payments of both government and business-type activities are reported as decreases in the balance of the liability on the Statement of Net Assets. In the fund financial statements, however, debt principal payments of governmental funds are recognized as expenditures when paid.

Equity Classifications—In the Government-Wide Financial Statements, equity is classified as net assets and displayed in three components as applicable. The components are as follows:

Invested in Capital Assets, Net of Related Debt—Capital assets including restricted capital assets, when applicable, net of accumulated depreciation and reduced by any outstanding balances of bonds, mortgages, notes or other borrowings attributable to the acquisition, construction or improvement of capital assets.

VILLAGE OF MCNARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Restricted Net Assets—Net assets with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.

Unrestricted Net Assets—All other net assets that do not meet the definition of “restricted” or “invested in capital assets.”

In the Fund Financial Statements, governmental fund equity is classified as fund balance. Beginning with fiscal year 2012, the Village implemented GASB Statement 54 “Fund Balance Reporting and Governmental Fund Type Definitions”. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- a. **Nonspendable fund balance** - amounts that are not in a spendable form (such as prepaid expenses) or are required to be maintained intact;
- b. **Restricted fund balance** - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- c. **Committed fund balance** - amounts constrained to specific purposes by a government itself using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- d. **Assigned fund balance** - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- e. **Unassigned fund balance** - amounts that are available for any purpose; positive amounts are reported only in the general fund.

The General Fund, the Village’s only major governmental fund, has a nonspendable fund balance of \$1,923 which represents prepaid expenses. The remaining general fund balance of \$110,386 is classified as unassigned.

Sales Taxes—The Village receives a percent of the Rapides parish wide one cent sales tax which is based on a formula developed in 1967. The Village also receives a portion of the half cent parish wide sales tax for road maintenance. The road maintenance sales tax receipt is based on the percent of McNary’s population as it relates to the total population of Rapides parish. The police jury collects and distributes both parish wide sales taxes. The road maint-

VILLAGE OF MCNARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

enance sales taxes are restricted to road maintenance at the parish level but are not restricted at the Village level. Any funding needed for road maintenance in the Village will be financed through the parish police jury's portion of the half cent parish wide sales tax fund.

Budget

The Village adopts an annual budget for the General Fund and Proprietary Fund. It is prepared in accordance with the basis of accounting utilized by that fund. Any revisions that alter the total expenditures must be approved by the Board of Aldermen. Budgeted amounts shown are as originally adopted or as amended by the Board. Budget amendments are passed on an as-needed basis.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 3—CASH AND CASH EQUIVALENTS

At June 30, 2012, the carrying amount of the Village's cash and cash equivalents and investments of governmental and proprietary funds (collected bank balances) totaled \$209,600. This was comprised of \$123,634 in restricted and unrestricted cash along with \$85,966 in investments restricted and unrestricted. Under state law, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent banks. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agents. These securities are held in the name of the pledging fiscal agent banks in a holding or custodial bank that is mutually acceptable to both parties.

At June 30, 2012, the Village's deposits were secured from risk by federal deposit insurance of \$250,000 and they also had pledged securities in the name of the fiscal agent bank with a market value greater than the total amount.

Even though the pledged securities are considered uncollateralized (Category #3), the Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Village that the fiscal agent has failed to pay deposited funds upon demand.

VILLAGE OF MCNARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 4—REVENUES RECEIVABLE

The following is a summary of receivables as of June 30, 2012:

Receivables, Net:		
General Fund:		
Oil & Gas	\$	67
Occupational/Franchise		1,674
Garbage		390
Sales & Use Taxes		3,137
Proprietary Fund:		
Water Accounts Receivable		<u>5,288</u>
Total	\$	<u><u>10,556</u></u>

NOTE 5—CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2012 are as follows:

	<u>Balance</u> <u>07/01/11</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>06/30/12</u>
Governmental Activities:				
Capital Assets—Not Depreciated:				
Land	\$ 38,009	\$ -	\$ -	\$ 38,009
Capital Assets—Depreciated:				
Furniture, Equipment & Vehicles	112,791	7,712	(24,311)	96,192
Improvements & Infrastructure	374,420	-	-	374,420
Buildings	<u>33,793</u>	<u>-</u>	<u>-</u>	<u>33,793</u>
Total Depreciated Assets	<u>521,004</u>	<u>7,712</u>	<u>(24,311)</u>	<u>504,405</u>
Total Assets	<u>559,013</u>	<u>7,712</u>	<u>(24,311)</u>	<u>542,414</u>
Less Accumulated Depreciation:				
Furniture, Equipment & Vehicles	67,468	11,352	(24,311)	54,509
Improvements & Infrastructure	36,075	11,009	-	47,084
Buildings	<u>16,959</u>	<u>1,145</u>	<u>-</u>	<u>18,104</u>
Total Accum. Depreciation	<u>120,502</u>	<u>23,506</u>	<u>(24,311)</u>	<u>119,697</u>
Net Capital Assets, Governmental	<u>\$ 438,511</u>			<u>\$ 422,717</u>

Governmental Activities depreciation expense for the year ended June 30, 2012 of \$23,506 is charged as follows: \$11,269 to General & Administrative, \$7,733 to Public Safety and \$4,504 to Culture & Recreation expenditures.

VILLAGE OF MCNARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

	<u>Balance</u> <u>07/01/11</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>06/30/12</u>
Business-type Activities:				
Capital Assets—Not Depreciated:				
Construction in Progress	\$ -	\$ 16,118	\$ -	\$ 16,118
Capital Assets—Depreciated:				
Equipment & Vehicles	22,362	-	-	22,362
Water System	852,015	-	-	852,015
Buildings	17,319	-	-	17,319
Total Depreciated Assets	<u>891,696</u>	<u>-</u>	<u>-</u>	<u>891,696</u>
Total Assets	<u>891,696</u>	<u>16,118</u>	<u>-</u>	<u>907,814</u>
Less Accumulated Depreciation:				
Equipment & Vehicles	10,427	1,852	-	12,279
Water System	286,195	18,270	-	304,465
Buildings	8,624	928	-	9,552
Total Accum. Depreciation	<u>305,246</u>	<u>21,050</u>	<u>-</u>	<u>326,296</u>
Net Capital Assets, Business-type	<u>\$ 586,450</u>			<u>\$ 581,518</u>

Business-type Activities depreciation expense for the year ended June 30, 2012 of \$21,050 is charged to Water expenditures.

NOTE 7—LEASES

Operating Lease

The Village of McNary has a contract with IESI/Progressive Waste to provide garbage pickup for Village residents. This contract is for five years ending January 31, 2016. The contract cost is \$8.75 per month per customer with the customer paying \$8 of this cost. The General Fund pays the difference plus a monthly fuel charge.

Cooperative Endeavor Agreement

The Village of McNary and the Spring Creek Community Volunteer Fire Department, and the Rapides Parish Fire Protection District No. 11 entered into an agreement effective July 26, 2000 to provide the Village of McNary with fire and medical emergency services. The Village agreed to pay \$4,200 per year for these services. The payments are to be paid per quarter beginning July 26 each year. The term of this agreement is for a two year period commencing upon the effective date of the agreement. This contract has been renewed every two years since 2000 with the current cycle ending July 26, 2014.

VILLAGE OF MCNARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 8—LONG TERM DEBT

Bonds payable in the Proprietary Fund at June 30, 2012 are comprised of the following:

Two Water Revenue Bonds, Series 1999 issued and dated July 13, 2000 with interest at 4.75% and due in monthly installments over 40 years:

Bond R-1 for \$201,000 due in monthly installments of \$944.70

Bond R-2 for \$ 14,000 due in monthly installments of \$ 65.80

The annual requirements to amortize 2001 non-major debt outstanding as of June 30, 2012, including interest payments of \$143,344 are as follows:

YEAR ENDING JUNE 30	PRINCIPLE	INTEREST	TOTAL PAYMENTS
2013	\$ 3,442	\$ 8,684	\$ 12,126
2014	3,609	8,517	12,126
2015	3,784	8,342	12,126
2016	3,968	8,158	12,126
2017	4,160	7,966	12,126
2018 - 2022	24,034	36,596	60,630
2023 - 2027	30,462	30,168	60,630
2028 - 2032	38,610	22,020	60,630
2033 - 2037	48,938	11,692	60,630
<u>2038 - 2039</u>	<u>23,388</u>	<u>1,190</u>	<u>24,578</u>
TOTALS	<u>\$ 184,395</u>	<u>\$ 143,333</u>	<u>\$ 327,728</u>

NOTE 9—PROPRIETARY FUND NET ASSETS, RESTRICTED

The Proprietary Fund has Restricted Fund Net Assets which are comprised of the following as of June 30, 2012:

Bond Reserve/Retirement Fund Net Assets	\$ 12,126
Renewal & Replacement Fund Net Assets	<u>14,825</u>
Total Restricted Fund Net Assets	<u>\$ 26,951</u>

BOND RESERVE FUND NET ASSETS—Under the terms of the Series 1999 bond indenture a sum equal to 5% of the monthly payment must be deposited monthly into a fund until the moneys equal the highest combined annual debt service in any future year on the outstanding bonds. The highest payment total is \$ 12,126.

VILLAGE OF MCNARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

RENEWAL AND REPLACEMENT FUND NET ASSETS—A sum of \$137 is to be paid monthly into the Replacement Fund over the life of the Bond.

Subject to the foregoing, which are cumulative, any balance in the Water Revenue Fund shall be used for the purpose of acquiring for cancellation, the outstanding Water Revenue Bonds or for redeeming the outstanding Water Revenue Bonds in inverse numerical order, at par and accrued interest to the call date, or any other lawful purpose whether or not connected with the System.

NOTE 10—MAYOR & ALDERMEN COMPENSATION

Donald Parker, II—Mayor	\$ 7,245.00
Aldermen:	
Brian Goree	3,450.00
Barbara Billings	3,450.00
Billy Billings	3,450.00

Their terms expire December 31, 2014.

NOTE 11—SUBSEQUENT EVENTS

Management has evaluated events through December 18, 2012, the date which the financial statements were available for issue. There were no items to be reported as subsequent events.

OTHER REQUIRED
SUPPLEMENTARY INFORMATION

VILLAGE OF MCNARY
BUDGETARY COMPARISON SCHEDULE—GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Budget</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		<u>Favorable (Unfavorable)</u>
Revenues:				
Taxes:				
Franchise	\$ 7,500	\$ 10,000	\$ 10,139	\$ 139
Sales	40,600	40,000	40,174	174
Alcohol	900	1,000	1,012	12
Licenses & Permits	3,200	3,000	2,988	(12)
Fines, Fees, Commissions, & Charges for Services:				
Fines	59,850	113,000	112,927	(73)
Sanitation Fees	2,800	6,000	6,018	18
Miscellaneous:				
Interest	300	100	113	13
Grants	10,000	0	0	0
Other	<u>4,850</u>	<u>700</u>	<u>837</u>	<u>137</u>
Total Revenues	<u>130,000</u>	<u>173,800</u>	<u>174,208</u>	<u>408</u>
Expenditures:				
Current:				
General & Administrative	48,600	52,900	51,407	1,493
Public Safety:				
Police	44,740	52,100	52,020	80
Fire Protection	4,200	4,200	4,200	0
Public Works:				
Sanitation	6,800	7,800	7,799	1
Culture & Recreation	10,000	200	187	13
Capital Outlay	<u>15,660</u>	<u>8,000</u>	<u>7,712</u>	<u>288</u>
Total Expenditures	<u>130,000</u>	<u>125,200</u>	<u>123,325</u>	<u>1,875</u>
Excess (Deficiency) of Revenues, over Expenditures	0	48,600	50,883	2,283
Fund Balance—Beginning of Year	<u>61,426</u>	<u>61,426</u>	<u>61,426</u>	<u>0</u>
Fund Balance—End of Year	<u>\$ 61,426</u>	<u>\$ 110,026</u>	<u>\$ 112,309</u>	<u>\$ 2,283</u>

See independent accountant's report.

VILLAGE OF MCNARY
BUDGETARY COMPARISON SCHEDULE—PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Budget</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		<u>Favorable (Unfavorable)</u>
Revenues:				
Charges for Services:	\$ 61,500	\$ 69,200	\$ 69,128	\$ (72)
Total Revenues	<u>61,500</u>	<u>69,200</u>	<u>69,128</u>	<u>(72)</u>
Operating Expenses:				
Current:				
Salaries & Related Expenses	13,195	19,900	19,900	0
Office Supplies	3,100	2,400	2,541	(141)
Professional Fees	3,550	3,600	1,853	1,747
Repairs & Maintenance	6,000	12,000	13,611	(1,611)
Utilities	11,000	5,800	5,780	20
Depreciation	14,255	21,000	21,050	(50)
Water Chlorination	3,000	2,000	1,132	868
Insurance	<u>4,100</u>	<u>3,000</u>	<u>2,998</u>	<u>2</u>
Total Operating Expenses	<u>58,200</u>	<u>69,700</u>	<u>68,865</u>	<u>835</u>
Net Operating Income	3,300	(500)	263	763
Non-Operating Revenues (Expenses)				
Investment Interest	500	260	264	4
Investment Expenses	(6,800)	(9,000)	(9,044)	(44)
Grant Income	<u>0</u>	<u>12,500</u>	<u>12,525</u>	<u>25</u>
Total Non-Operating Revenues (Expenses)	<u>(6,300)</u>	<u>3,760</u>	<u>3,745</u>	<u>(15)</u>
Change in Fund Net Assets	(3,000)	3,260	4,008	748
Fund Net Assets—07/01/11	<u>476,081</u>	<u>476,081</u>	<u>476,081</u>	<u>0</u>
Fund Net Assets—06/30/12	<u>\$ 473,081</u>	<u>\$ 479,341</u>	<u>\$ 480,089</u>	<u>\$ 748</u>

See independent accountant's report.

SUPPLEMENTARY INFORMATION

Shanna Jones, CPA

*157 Larry Bruce Rd
Winnfield, LA 71483
792-8544*

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Honorable Donald Parker II, Mayor
and Board of Aldermen
Village of McNary
Glenmora, Louisiana

I have performed the procedures included in the *Louisiana Governmental Audit Guide*, which were agreed to by the management of the Village of McNary, and the Legislative Auditor, State of Louisiana, solely to assist the users in evaluating management's assertions about the Village of McNary's compliance with certain laws and regulations during the year ended June 30, 2012, included in the Louisiana Attestation Questionnaire. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants and applicable standards of *Governmental Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, I make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

PUBLIC BID LAW

1. Select all expenditures made during the year for material and supplies exceeding \$30,000, or public works exceeding \$150,000 and determine whether such purchases were made in accordance with LSA-RS 38:2211-2296 (the public bid law).

No expenditures found to be in violation.

CODE OF ETHICS FOR PUBLIC OFFICIALS AND PUBLIC EMPLOYEES

2. Obtained from management a list of the immediate family members of each board member as defined by LSA-RS 42:1124 (the code of ethics), and a list of outside business interest of all board members and their immediate families.

Management provided me with the required list including the noted information.

3. Obtain from management a listing of all employees paid during the period under examination.

Management provided me with all payroll records.

(Continued)

4. Determine whether any of those employees included in the listing obtained from management in agreed-upon procedure (3) were also included on the listing obtained from management in agreed-upon procedure (2) as immediate family members.

None of the employees on the list provided in agreed-upon procedure (3) matched any name provided in agreed-upon procedure (2).

BUDGETING

5. Obtained a copy of the legally adopted budget and all amendments.

Management provided me with a copy of the original and amended budgets.

6. Trace the budget adoption and amendments to the minute book.

I could not trace the adoption of the original budget to the minutes of a meeting. Therefore I could find no evidence to indicate that the budget had been adopted by the board.

7. Compare the revenues and expenditures of the final budget to actual revenues and expenditures to determine if actual revenues failed to meet budgeted revenues by 5 % or more, or if actual expenditures exceed budgeted amounts by 5% or more.

I compared total revenues and expenditures for the year to total budgeted revenues and expenditures. Unfavorable variances did not exceed five percent (5%).

ACCOUNTING AND REPORTING

8. Randomly select 6 disbursements made during the period under examination and:

- (a) trace payments to supporting documentation as to proper amount and payee;

I examined supporting documentation for each of the six selected disbursements and found that payment was for the proper amount and made to the correct payee.

- (b) determine if payments were properly coded to the correct fund and general ledger account; and

Each disbursement appeared properly coded to the correct fund and general ledger account.

- (c) determine whether payments received approval from proper authorities.

Inspection of documentation supporting indicated approvals.

MEETINGS

9. Examine evidence indicating that agendas for meetings recorded in the minute book were posted or advertised as required by R.S. 42:1 through 42:13 (the open meetings law).

(Continued)

Management is only required to post a notice of each meeting and the accompanying agenda on the door of the Village's Town Hall building and an example of this was available.

DEBT

10. Examine bank deposits for the period under examination and determine whether any such deposits appear to be proceeds of bank loans, bonds, or like indebtedness.

I inspected copies of all bank deposits for the period under examination and noted no deposits which appeared to be proceeds of bank loans, bonds, or like indebtedness.

ADVANCES AND BONUSES

11. Examine payroll records and minutes for the year to determine whether any payments have been made to employees that may constitute bonuses, advance, or gifts.

There were no payments that appeared to be either advances or bonuses.

PRIOR COMMENTS AND RECOMMENDATIONS

Another firm compiled the prior year financial statements. Their report, dated October 20, 2011, included comments regarding the lack of segregation of duties due primarily to the small number of employees of the Village and lack of depositing on a daily basis. Upon inquiry and review it appears that deposits are now in compliance. The lack of segregation of duties still exists at this time although the Village having external CPA's to compile their financial records should help in this matter.

I was not engaged to perform, and did not perform, an audit, the objective of which would be the expression of an opinion on management's assertions. Accordingly, I do not express such an opinion. Had I performed additional procedures, other matters might have come to my attention that would have been reported to you.

This report is intended solely for the use of management of Village of McNary and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



Shanna Jones, CPA
Winnfield, Louisiana
December 18, 2012

VILLAGE OF MCNARY
LOUISIANA ATTESTATION QUESTIONNAIRE

Shanna Jones, CPA
157 Larry Bruce Rd
Winnfield, LA 71483

In connection with your review of our financial statements as of June 30, 2012, and for the year then ended, and as required by Louisiana Revised Statute 24:513 and the *Louisiana Governmental Audit Guide*, we make the following representations to you. We accept full responsibility for our compliance with the following laws and regulations and the internal controls over compliance with such laws and regulations. We have evaluated our compliance with the following laws and regulations prior to making these representations.

These representations are based on the information available to us as of December 3, 2012.

Public Bid Law

It is true that we have complied with the public bid law, R.S. Title 38:2211-2296, and, where applicable,
the regulations of the Division of Administration and the State Purchasing Office.

Yes ☒ No ☐

Code of Ethics for Public Officials and Public Employees

It is true that no employees or officials have accepted anything of value, whether in the form of a service,
loan, or promise, from anyone that would constitute a violation of R.S. 42:1101-1124.

Yes ☒ No ☐

It is true that no member of the immediate family of any member of the governing authority, or the chief
executive of the governmental entity, has been employed by the governmental entity after April 1, 1980,
under circumstances that would constitute a violation of R.S. 42:1119.

Yes ☒ No ☐

Budgeting

We have complied with the state budgeting requirements of the Local Government Budget Act (R.S. 39:1301-16), R.S. 39:33, or the budget requirements of R.S. 39:1331-1342, as applicable.

Yes ☒ No ☐

Accounting and Reporting

All non-exempt governmental records are available as a public record and have been retained for at least three years, as required by R.S. 44:1, 44:7, 44:31, and 44:36.

Yes ☒ No ☐

We have filed our annual financial statements in accordance with R.S. 24:514, and 33:463 where applicable.

Yes ☒ No ☐

We have had our financial statements reviewed in accordance with R.S. 24:513.

Yes ☒ No ☐

Meetings

We have complied with the provisions of the Open Meetings Law, provided in R. S. 42:11 through 42:28.

Yes ☒ No ☐

Debt

It is true we have not incurred any indebtedness, other than credit for 90 days or less to make purchases in the ordinary course of administration, nor have we entered into any lease-purchase agreements, without the approval of the State Bond Commission, as provided by Article VII, Section 8 of the 1974 Louisiana Constitution, Article VI, Section 33 of the 1974 Louisiana Constitution, and R.S. 39:1410.60-1410.65.

Yes ☒ No ☐

Advances and Bonuses

It is true we have not advanced wages or salaries to employees or paid bonuses in violation of Article VII, Section 14 of the 1974 Louisiana Constitution, R.S. 14:138, and AG opinion 79-729.

Yes ☒ No ☐

We have disclosed to you all known noncompliance of the foregoing laws and regulations, as well as any contradictions to the foregoing representations. We have made available to you documentation relating to the foregoing laws and regulations. We have provided you with any communications from regulatory agencies or other sources concerning any possible noncompliance with the foregoing laws and regulations, including any communications received between the end of the period under examination and the issuance of this report. We acknowledge our responsibility to disclose to you any known noncompliance that may occur subsequent to the issuance of your report.



Donald Parker II, Mayor
Village of McNary

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

VILLAGE OF MCNARY
FINDINGS & RECOMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2012

FINDINGS IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

INSTANCES OF NONCOMPLIANCE

12-01 Louisiana Budget Act Compliance

Finding – Timely budget adoption is not listed in minutes of board meetings and therefore could not be verified as being approved by board in open meeting.

Recommendation – Management should ensure that the budget is adopted in a timely fashion and is listed in the minutes of the board meeting. To achieve this objective of having evidence of timely adoption of the budget in the minutes, Management should have the Secretary prepare minutes based on meetings of the board and have the Mayor sign them. This checks and balances will help omissions from the minutes to be minimized.

Response - Management will ensure that timely adoption of original and amended, if applicable, budgets are listed in the minutes of the board meetings.

12-02 Segregation of Duties

Finding - Due to the small number of employees, the Village of McNary did not have adequate segregation of functions within the accounting system. Based upon the cost-benefit of additional personnel, it may not be feasible to achieve complete segregation of duties.

Recommendation –None.

Response – None required.

PRIOR YEAR FINDINGS

VILLAGE OF MCNARY
FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011

FINDINGS LISTED PER PRIOR YEAR
ACCOUNTANT'S COMPILATION REPORT,
dated October 20, 2011

INSTANCES OF NONCOMPLIANCE

INTERNAL CONTROL ISSUES

04-1(IC) Segregation of Duties

Finding - Due to the small number of employees, the Village of McNary did not have adequate segregation of functions within the accounting system. Based upon the cost-benefit of additional personnel, it may not be feasible to achieve complete segregation of duties.

Response – None required.

10-1 (IC) Untimely Deposits

Finding – The Village of McNary did not take cash collections to deposit daily.

Recommendation—Take cash collections to financial institution daily.

Response – The Village will ensure that collections are deposited daily.

Action Taken in current fiscal year—Deposits appear to have been made on a timely basis.

STATE OF LOUISIANA.
PARISH OF RAPIDES

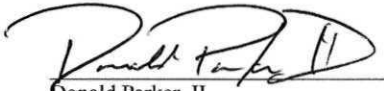
AFFIDAVIT

Donald Parker II, Mayor
Village of McNary
Glenmora, Louisiana

BEFORE ME, the undersigned authority, personally came and appeared.

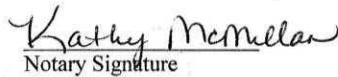
Donald Parker II, Mayor for the Village of McNary. State of Louisiana, who after being duly sworn, deposed and said;

The financial statements herewith given present fairly the financial position of the Village of McNary as of June 30, 2012, and the results of operations for the year then ended, in accordance with the basis of accounting described within the accompanying financial statements.



Donald Parker, II
Mayor
Village of McNary

SWORN to and subscribed before me, Notary, this 21st day of December, 2012
in my office in Glenmora, Louisiana



Notary Signature

Kathy McMillan
ID # 054521

Notary Stamp
(with Officer Name, Number, etc.)